

SECTION 3. Section 1575.252, Insurance Code, is amended to read as follows:

Sec. 1575.252. APPLICATION BY EMPLOYER FOR MONEY TO PAY STATE CONTRIBUTIONS. An employer who applies for money provided by the United States or a privately sponsored source shall:

- (1) if any of the money will pay part or all of an active employee's salary, also apply for any legally available money to pay state contributions required by Subchapter E; and
- (2) immediately send any money received for state contributions as a result of the application to the trustee for deposit in the ~~[general revenue]~~ fund.

SECTION 4. The changes in law made by this Act to Sections 825.406 and 825.407, Government Code, and Section 1575.252, Insurance Code, requiring that contributions be deposited in the state contribution account and in the retired school employees group insurance fund, respectively, instead of the general revenue fund apply to a contribution received by the Teacher Retirement System of Texas on or after the effective date of this Act.

SECTION 5. This Act takes effect September 1, 2007.

Passed by the House on May 8, 2007: Yeas 146, Nays 0, 2 present, not voting; passed by the Senate on May 23, 2007: Yeas 31, Nays 0.

Approved June 15, 2007.

Effective September 1, 2007.

## CHAPTER 1224

H.B. No. 2365

### AN ACT

relating to financial accounting and reporting for this state and political subdivisions of this state.

*Be it enacted by the Legislature of the State of Texas:*

SECTION 1. (a) The legislature finds that:

- (1) state and local governments provide essential services funded by statutorily authorized taxes and fees and not by cost recovery-based rate or price models;
- (2) state and local government operations derive authority from and are regulated by the Texas and federal constitutions and statutes; and
- (3) financial accounting and reporting should accurately reflect government activities and not mislead or misinform the public.

(b) The legislature further finds that:

- (1) state and local governments cannot provide certain postemployment benefits that exceed existing statutory, constitutional, or other legal requirements, including requirements that limit the duration for which benefits are legally obligated such as Section 6, Article VIII, Texas Constitution, which limits appropriations to two years or less, and other requirements that limit expenditures to one year or less or some other term; and
- (2) it is in the interest of state and local governments to communicate the requirements of Subdivision (1) of this subsection to persons who receive or may receive postemployment benefits from state or local governments.

SECTION 2. Subtitle F, Title 10, Government Code, is amended by adding Chapter 2264 to read as follows:

## CHAPTER 2264. FINANCIAL ACCOUNTING AND REPORTING

### SUBCHAPTER A. GENERAL PROVISIONS

Sec. 2264.001. *APPLICABILITY. This chapter applies to this state and to each political subdivision of this state.*

*Sec. 2264.002. APPLICABILITY TO COMPONENT UNITS. To the extent an entity is reported on the financial statement of the state or a political subdivision as a component unit, the statutory accounting principles and reporting standards in this chapter apply to that entity.*

*[Sections 2264.003–2264.050 reserved for expansion]*

#### **SUBCHAPTER B. FINANCIAL ACCOUNTING AND REPORTING STANDARDS**

*Sec. 2264.051. REQUIREMENTS FOR SYSTEM OF ACCOUNTING AND REPORTING. The system of accounting for and reporting the financial activities of this state and its political subdivisions:*

- (1) must be consistent with state financial laws;*
- (2) may not misrepresent the nature, scope, or duration of the financial activities of the state or political subdivision; and*
- (3) may follow the statutory standards in this chapter when other accounting bases conflict with state law.*

*Sec. 2264.052. STATUTORY MODIFIED ACCRUAL BASIS. (a) In this state, a statutory modified accrual basis qualifies as an other comprehensive basis of accounting that recognizes revenue when it is measurable and available to finance current expenditures and recognizes expenditures when they are normally expected to be liquidated with current financial resources regardless of when they mature.*

*(b) This state and its political subdivisions may account for and report selected types of financial activities on a statutory modified accrual basis for government-wide and fund-level internal and external financial statement reporting.*

*Sec. 2264.053. COMPLIANCE WITH ACCOUNTING PRINCIPLES. Compliance with the statutory accounting principles of this chapter by this state or a political subdivision satisfies any other law that requires accounting and reporting according to generally accepted accounting principles, including Section 403.013 or 2101.012.*

*[Sections 2264.054–2264.100 reserved for expansion]*

#### **SUBCHAPTER C. OTHER POSTEMPLOYMENT BENEFITS**

*Sec. 2264.101. DEFINITIONS. In this subchapter:*

- (1) "Other postemployment benefits" means employee benefit programs for which coverage or eligibility extends to retired employees. The term does not include pension benefits.*
- (2) "Pay-as-you-go" means benefit plan financing generally made at or about the same time and in or about the same amount as benefit payments and expenditures become due.*
- (3) "State system" means:*
  - (A) the Employees Retirement System of Texas;*
  - (B) the Teacher Retirement System of Texas;*
  - (C) The Texas A&M University System; or*
  - (D) The University of Texas System.*
- (4) "Substantive plan" means a plan providing other postemployment benefits approved by the governing body of the plan provider according to the laws and constitution of this state.*

*Sec. 2264.102. ACCOUNTING FOR OTHER POSTEMPLOYMENT BENEFITS. To the extent that generally accepted accounting principles require accounting or reporting of other postemployment benefits at the government-wide or fund level on any basis other than pay-as-you-go, this state and its political subdivisions may account for or report those other postemployment benefits in accordance with the statutory accounting principles in this chapter.*

**Sec. 2264.103. COMMUNICATION OF STATE SYSTEM'S OBLIGATIONS TO PROVIDE OTHER POSTEMPLOYMENT BENEFITS.** (a) *In this section, "member" means a person to whom a state system provides, or has promised to provide, other postemployment benefits, including:*

- (1) *a retiree, annuitant, or employee; or*
- (2) *a spouse, surviving spouse, or other dependent.*

(b) *A state system shall fully disclose to its members that the system is not obligated to provide benefits beyond existing statutory, constitutional, or other legal requirements. This includes requirements that limit the duration for which benefits are legally obligated such as Section 6, Article VIII, Texas Constitution, which limits appropriations to two years or less, and other requirements that limit expenditures to one year or less or some other term.*

(c) *A state system shall inform its members about the extent of the system's commitments regarding other postemployment benefits, including whether the other postemployment benefits are limited by funding obligations or whether the funding obligations extend throughout the life of the member.*

(d) *A state system shall disclose on the entity's website the information required by this section.*

(e) *Other governmental entities of this state or its political subdivisions may comply with this section.*

**Sec. 2264.104. DISCLOSURE OF INFORMATION ON FINANCIAL STATEMENTS; GENERALLY.** *This state or a political subdivision of this state shall disclose in its notes to the financial statement in a manner consistent with this subchapter:*

- (1) *other postemployment benefits that it provides in its substantive plan, including:*
  - (A) *the covered employee groups;*
  - (B) *eligibility requirements; and*
  - (C) *the amount, described in an appropriate manner, of obligations that it and the member contribute;*
- (2) *the statutory, contractual, or other authority under which other postemployment benefits are provided under Subdivision (1);*
- (3) *the accounting, financing, and funding policies that it follows;*
- (4) *the amount of other postemployment benefits expenditures that it recognizes during the period, net of member contributions;*
- (5) *the number of members currently eligible to receive other postemployment benefits;*
- (6) *any significant matters that affect the comparability of the disclosures required by this section with those for the previous period; and*
- (7) *any additional information that it believes will assist in explaining the nature and cost of its commitment to provide other postemployment benefits.*

**Sec. 2264.105. ADDITIONAL OPTIONAL FINANCIAL DISCLOSURES.** (a) *This state or a political subdivision of this state may disclose, for informational and planning purposes only and in a manner consistent with this subchapter, the expense and liability that would exist if other postemployment benefits had been guaranteed to members.*

(b) *This state or a political subdivision may make this supplemental disclosure in its other supplemental statistical information to the financial statements by disclosing:*

- (1) *its actuarial methods and assumptions or other estimation methodology;*
- (2) *its net other postemployment benefits obligation;*
- (3) *its funding status and funding progress;*
- (4) *that the supplemental disclosure is for informational purposes only and is not an obligation or other promise to provide benefits beyond that approved by its governing body; and*
- (5) *any additional information that it believes will help explain the nature and cost of a potential commitment to provide other postemployment benefits.*

*Sec. 2264.106. COMPTROLLER WEBSITE. (a) The comptroller shall maintain a website to provide guidance to the state and its political subdivisions in implementing the requirements and goals of this subchapter.*

*(b) The site must include information that makes the site a resource tool for the state and its political subdivisions to consistently manage other postemployment benefits to conform to statutory, constitutional, and other legal requirements.*

*Sec. 2264.107. COMPTROLLER ADVICE AND REPORTING REQUIREMENTS. (a) The comptroller shall issue reporting requirements for state retirement systems, including state systems, to provide guidance on how to comply with accounting principles in a manner consistent with this subchapter.*

*(b) The comptroller shall provide advice to a political subdivision of this state that requests advice on how to apply accounting principles in a manner consistent with this subchapter.*

SECTION 3. Section 112.002(c), Local Government Code, is repealed.

SECTION 4. (a) The changes in law made by this Act apply to financial accounting and reporting by a governmental entity subject to Chapter 2264, Government Code, as added by this Act, beginning with fiscal year 2007 including the Teacher Retirement System of Texas, and beginning with fiscal year 2008 for the Employees Retirement System of Texas, The Texas A&M University System, and The University of Texas System.

(b) Not later than December 1, 2007, the Teacher Retirement System of Texas shall comply with Section 2264.103, Government Code, as added by this Act. Not later than December 1, 2008, the Employees Retirement System of Texas, The Texas A&M University System, and The University of Texas System shall comply with Section 2264.103, Government Code, as added by this Act.

SECTION 5. This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect August 27, 2007.

Passed by the House on May 10, 2007: Yeas 142, Nays 0, 1 present, not voting; the House concurred in Senate amendments to H.B. No. 2365 on May 24, 2007: Yeas 142, Nays 0, 2 present, not voting; passed by the Senate, with amendments, on May 22, 2007: Yeas 28, Nays 3.

Approved June 15, 2007.

Effective June 15, 2007.

## CHAPTER 1225

### H.B. No. 2383

#### AN ACT

relating to the provision of certain subsidies and scholarships to particular public school students or graduates.

*Be it enacted by the Legislature of the State of Texas:*

SECTION 1. Subchapter F, Chapter 29, Education Code, is amended by adding Section 29.190 to read as follows:

*Sec. 29.190. SUBSIDY FOR CERTIFICATION EXAMINATION. (a) A student is entitled to a subsidy under this section if the student:*

*(1) successfully completes the career and technology program of a school district in which the student receives training and instruction for employment in a certain trade or occupation;*

*(2) passes a certification examination to qualify for a license or certificate for the trade or occupation; and*